UNITED STATES PATENT AND TRADEMARK OFFICE

Changes to the Practice for Handling Patent Applications Filed Without the Appropriate Fees

70 Federal Register 9570, February 28, 2005

Testimony of
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This testimony is responsive to the captioned notice of proposed rulemaking by the United States Patent and Trademark Office ("the Office"). It is pro bono and does not necessarily reflect the views of any client or colleague affiliated with the writer, who is a partner in the international law firm of Foley & Lardner, L.L.P. and the former Director of the Intellectual Property Law Program and Professor of Law of the George Washington University Law School.

In essence, the Office has unilaterally, *in camera*, determined that it does not like a priority practice based upon applications that are later abandoned without a full fee. Even though this practice has flourished for more than a full generation, the Office ***as an "interpretive" rule***, now plans to ***abolish*** the practice without statutory basis. Rather, it proposes to "burn the file wrapper" so that there will be no proof available of an earlier filing, and thereby a priority right. Yet, the existence and content of the earlier application may well be "burned" but an electronic copy may remain, creating a brand new issue. More to the point, where, as here, the Office has just gained a new budget to reap $ 1,700,000,000.00 in income, now is the last conceivable time to pile on and seek even more money through a "burn the files" tactic – particularly not as an "interpretive" rule.

The proposed regulations would abolish a practice that has been an integral part of the United States patent system for a full generation, and which spawned movements to create what was termed an "internal priority document" system, Wegner, *Patent Law Simplification and the Geneva Patent Convention*, 14 AM. INTELL. PROP. L. ASS'N Q. J. 154 (1986), and which the Office finally adopted *sub nom* the "provisional application" system; this rendered the practice at issue unnecessary *for priority purposes*. See Charles E. Van Horn, *Practicalities And Potential Pitfalls When Using Provisional Patent Applications*, 22 14 AM. INTELL. PROP. L. ASS'N Q. J. 259, 267 (1994)(footnote omitted)("The processing and retention fee practice for [regular] applications is not applicable to provisional applications.").

Yet, the practice has remained intact for the past decade and coexisted with the provisional application system. There are unique uses for retention fee system that remain today. For example, if one wishes to have an additional small period of time to prepare a continuation-in-part application while the period of pendency of a current application is about to expire, the de facto system can be used as a bridging continuation to provide this needed time.

The $ 1,700,000,000.00 Office Budget and Due Process

Whether the practice as a policy matter is "good" or "bad" is not at issue at the present time. It may well be useful to have an open debate about whether the system should be continued, or possibly replaced with a simpler fee system to extend the pendency of an application where more time is needed to take action.

The matter that is of more immediate concern at the present time is that the Office has just issued a proposed rule to abolish a practice which has been *sanctioned for twenty plus full years*.

At a time when the Office has just successfully obtained fee increases and is in the process of implementing a massive $

1,700,000,000.00 annual budget, it is now demanding *more money* by abolishing an accepted practice of more than a generation.

Burn the Files, Deny Priority

The Office clearly recognizes that applicants still, today, have a right to file a patent application without a fee and that if a continuation is filed within a short period of time, there is a statutory *right* to priority. This is undisputed. Instead, the Office says that under its new rule, it will effectively "burn the file wrapper" – or otherwise destroy the file wrapper.

It reasons that this will deny the patent applicant of the right to claim priority on the "burned" file: "Since the Office must retain an application to permit benefit of the application to be claimed under 35 U.S.C. 120 and § 1.78 in a subsequent non-provisional or international application, the Office is also proposing to require payment of the basic filing fee (rather than just the current processing and retention fee set forth in § 1.21(l)) to permit benefit of the application to be claimed under 35 U.S.C. 120 and § 1.78 in a subsequent non-provisional or international application."

70 Federal Register at 9571; emphasis added.

The Office is saying, in essence, that even if the patent applicant files a continuation and expressly claims priority and gives notice to the Office that it wishes to exercise its statutory right to rely upon the soon to be abandoned parent, the Office will deny this statutory right by "burning" the parent file wrapper.

The Paper may Burn, but the E-File Remains

It can be imagined that even if the Office "burns" the files, it will still have on some hard drive or disk, somewhere, an *electronic* copy of the original patent application. Thus, it will be possible to prove the existence and exact identity of any original application to the extent that an electronic copy has been made and retained.

Thus, "burning" the files will not solve the problem but will instead create a new problem.

An Interpretative Rule

The Office makes the interesting point that the abolition of the generation old right to internal priority is an "interpretative rule" that is not subject to a hearing and comment period: these rule changes involve interpretive rules, or rules of agency practice and procedure under 5 U.S.C. 553(b)(A). See *Bachow Communications Inc. v. FCC*, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are "rules of agency organization, procedure, or practice" and are exempt from the Administrative Procedure Act's notice and comment requirement); see also *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1549-50 (Fed. Cir. 1996) (the rules of practice promulgated under the authority of former 35 U.S.C. 6(a) (now in 35 U.S.C. 2(b)(2)) are not substantive rules (to which the notice and comment requirements of the Administrative Procedure Act apply)), and Fressola v. Manbeck, 36 USPQ2d 1211, 1215 (D.D.C. 1995) ("it is doubtful whether any of the rules formulated to govern patent and trade-mark practice are other than 'interpretative rules, general statements of policy, * * * procedure, or practice.'") (quoting C.W. Ooms, The United States Patent Office and the Administrative Procedure Act, 38 Trademark Rep. 149, 153 (1948))." 70 Federal Register at 9572; parallel citation omitted.

But, the Office *does* provide a comment period, and thus has a chance to withdraw the proposed changes, and can render this point moot.

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If there is to be a change in the practice of this drastic a nature, it is submitted that it should be done by proper statutory consideration by the Congress. If the Congress thinks that more than the current $ 1,700,000,000.00 is needed for the Office and this is the appropriate way to raise this money, then this is a matter for Capitol Hill and not the Carlyle.

Thank you for considering this testimony.

Respectfully submitted,

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